with a limited number of people. We believe the direction of the station is of high caliber, but not all the station effort is carefully directed at priority targets. Under current personnel ceilings, there is little hope of increasing the manpower available for this critical effort. Thus, both Headquarters and the station must carefully place emphasis on assignment of priorities and upon selective execution of the activities to meet those priorities.

Organization for Operations

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5. The Mexico City Station approaches the classic type station in opportunities and in operations. It has high-level liaison operations, unilateral operations, joint operations with the host government, and Soviet, Satellite, Cuban, and indigenous Communist Party operations. It has local collaborative liaison with other U.S. agencies: the State Department, the Federal Bureau of Investigation, the Immigration and Naturalization Service and the military. To accomplish this wide range of tasks, the station is organized into the Soviet Branch, Cuban Branch, Satellite Branch, Covert Action Branch, Communist Party Branch, and an operational catch-all which is called the "Operational Support Branch." This latter branch is headed by a senior operations officer who has two assistants, but the branch in reality is an extension of the chief of station's personal clandestine capabilities, giving force and effect to that facet of the chief of station's personality as an operator. The deputy chief of station, in addition to his administrative duties, also personally handles the operations of three projects.

Cuban Operations

6. Mexico City is the only direct air link which Cuba has with the Western Hemisphere. It is the major transit point for all air travel to and from Cuba. Approximately 150 persons per week travel each way to and from Havana via Mexico City. This fact plays a prime role in shaping the station's operational activities. For example, over 70 per cent of the station's FI reporting on Cuban activities in the past year dealt with travel, both Cuban and non-Cuban, between Mexico City and Havana.

[Significant]

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7. The station has no agents reporting from in place in Cuba. Two operations have had problems in loss of communications, but have some promise of future success. One agent, a Cuban refugee

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now working in Mexico City, had recruited three sub-agents before leaving Cuba but his channel of communications with them has been severed. Another station agent is in a good position in Cuba to obtain intelligence from foreign telephone communications. The station will attempt to re-establish contact with him through a legal traveler to Cuba. The station has a number of sources with access to Cuba in third country nationals who are debriefed each time they return to Mexico City from Cuba. Best of these is a Western European who was the source of some 15 disseminated intelligence reports last year. He travels to Cuba four or five times a year and is contacted by a station case officer after each visit. An operation, presently under development, is aimed at exploiting the presence of a religious order. A recruited agent will be in the high levels of the Mission. It is expected that the Mission will have secure communications facilities as is the case in other countries. Primary control, however, will be maintained by Mexico City Station through contact with the agent each time he travels to Mexico City from Havana.

9. A major objective of station operations is the recruitment of personnel in the Cuban Embassy. There are about 20 Cubans on the embassy staff of whom six are believed to be members of the Cuban Intelligence Service. As with operations directed against the Soviet Embassy, heavy reliance is placed upon surveillance through telephone, photo, physical, and audio operations as well as on access agents. The effort has been rewarded with some success albeit limited. One official has been recruited, but his value is generally low due to lack of access to information of prime importance and to a reluctance to accept operational assignments. A Mexican woman employee in the embassy is also a station agent, but she has no access to classified documents and provides only meager information. A recruitment pitch to another officer was unsuccessful and he was subsequently recalled to Cuba. Through station efforts a "hot mike" was successfully placed in a key office. Unfortunately, the target officer moved, and his old office is now being occupied by an officer of lesser potential, who is the supervisor of the recruited officer. This audio device is at the moment of little value except to provide an excellent check of the agent's activities.

10. As might be expected, Mexico City has a constant stream of refugees from Cuba, estimated at about 350 per month. Through an American contract agent the station runs the Cuban Refugee Reception and Orientation Center which screens refugees for possible

operational leads and debriefs those with information of intelligence value. Heretofore this project has suffered from lack of adequate facilities and trained personnel. Only 29 positive in-
98 telligence reports were disseminated by Headquarters during the past year. It is planned to correct these deficiencies and expand capabilities to the end that the intelligence product will be improved and the operational leads increased. An experienced officer from the JMWAVE refugee center has been detailed to the station to assist in training the personnel there.

11. The station's Cuban case officers must devote a substantial effort to responding to requests for support from other stations, chiefly JMWAVE, with involvement in Cuban operations.
24 Approximately 47 per cent of the station's cable traffic is concerned with Cuban operations. This volume alone is testimony to the relative effort which must be devoted to the support of Cuban operations originating in other CIA stations. The Cuban case officers in Mexico City feel that the requirements to keep abreast of day to day activities and to handle the volume of paper left insufficient time for planning and development of an effective station operational program.

12. Operations are being conducted against the Cuban Embassy, and the results, while limited, are as satisfactory as may be expected in view of the target. Given Mexico City's strategic loca- 24
OPEN tion astride the only direct air link to Cuba, more success should be achieved in recruiting agents in place in Cuba. This target has been assigned as Priority 1 to many Latin American countries 24 and, if it is to be achieved at all, it is logical to expect that it will be done in Mexico City. To the extent possible, the Cuban case officers should be freed from the excessive support to other stations so they can concentrate on this target. The Chief, WH Division, should direct other stations to carefully screen Cuban requirements on Mexico City, with a view toward reduction of such requirements.

<u>It is recommended that:</u> No. 67

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a. Instruct the Chief of Station, Mexico City, to concentrate Cuban case officer efforts on developing agent assets resident in Cuba; and,

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evidence that the ambassador would strongly object to Agency support for IISE propaganda activities. In addition, of a total annual budget of $16,000, $6,000 goes for the salary of a U.S. businessman cutout (LIHUFF-1) while $6,000 goes to the support of MURO and $4,000 to support other activities of the IISE. This is an inordinately high sum for the services of a cutout in proportion to the total cost of the proposed project. These points, taken together, constitute a valid basis for terminating operations in connection with LIHUFF.

<u>It is recommended that:</u> No. 70

The Chief, WH Division, disapprove the proposal of Chief of Station, Mexico, for Project LIHUFF and direct him to terminate operations in connection therewith.

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18. The station has a highly successful project directed at the rural and peasant targets. The principal agent is a Catholic priest through whose efforts an extensive network of regional organizations have been established including youth groups, credit unions, agricultural co-ops and peasant unions. Some 26 regional centers of the Mexican Institute for Social Studies, a project mechanism, have been set up and 12,000 people were enrolled in special training courses during the year. This operation is now largely self-sufficient but the station should continue to give it support and direction. The project shows promise of expanding into Guatemala where the Archbishop of Guatemala has asked for assistance and training to set up a similar organization. In view of the present lack of Agency-sponsored peasant projects in Guatemala, every effort should be made to exploit this possibility.

<u>It is recommended that:</u> No. 71

The Chief, WH Division, expand Project LINOODLE to include assistance in establishing a similar covert action project targeted on peasant groups in Guatemala.

<u>Soviet Operations</u>

19. Mexico is one of the four Latin American countries which maintain diplomatic relations with the Soviet Union thereby permitting the establishment of diplomatic installations in these

countries. Because of the relative ineffectiveness of the Mexican police and security services, Soviet activities in Mexico are not subjected to the same scrutiny as they are in the U.S. by the FBI and in Canada by the Royal Canadian Mounted Police. Soviet personnel in Mexico thus have a freedom of movement which facilitates the conduct of clandestine operations targeted not only against the U.S. but also against other Latin American countries where there is no Soviet official presence. In addition, Mexico's long border with the U.S. has only minimum guards. Travel between the U.S. and Mexico is heavy and clandestine border crossing can be relatively simple. The Soviet Embassy in Mexico City, therefore, assumes more than the usual interest normally attached to similar Soviet installations as targets for U.S. intelligence.

20. Soviet operations conducted by the station are directed primarily at the personnel of the embassy. At the present time, there are fifty-one officers attached to the embassy of whom thirty-three have been identified as members of either the KGB or the GRU. It may be assumed that dependents and nonintelligence personnel, by performing various support functions, swell the total of those engaged in intelligence assignments. In its operations against the Soviets, the station is heavily dependent upon technical collection through telephone taps, photographic coverage of the embassy, physical surveillance, and hidden microphones. These operations produce masses of information daily on the activities of the Soviet personnel, such as telephone conversations with persons outside the embassy, complete photographic records of the coming and going of all persons--Soviet and non-Soviet--at the embassy, contacts of embassy personnel outside the embassy, etc. Because of the strict security indoctrination of Soviet overseas personnel, the bulk of this information is low-level and not disseminable as positive intelligence. Its chief value, aside from occasional items of intelligence interest or operational import, derives from its compilation in depth to reveal patterns of activities and contacts, indicative of intelligence missions or associations, and to disclose behaviorial characteristics of individual Soviets which might be symptomatic of a vulnerability to recruitment. By analyzing this material over a period of time, the station has identified Soviet officers in the KGB and GRU, and gained an insight into their modus operandi in executing intelligence assignments. This in itself is of value from a counterintelligence point of view even though exploitation against Soviets has been limited. Also, by collating the mass of collected data into personality reports on persons attached to the Embassy, the station hopes to be able to detect, foster, and eventually exploit any vulnerability to recruitment or detection--the

number one priority of Soviet operations here as elsewhere in the world.

21. The station is seeking to supplement its collection through technical means with a program to acquire at least one access agent for each member of the Soviet Embassy staff. These access agents serve two purposes: first, they provide additional information on the activities and personalities of those with whom they are in contact; and second, they afford a channel for "getting at" a Soviet individual should it be found advantageous to bring some sort of recruitment pressure to bear on him. Consideration is now being given by the station to expanding the effort to recruit Mexican nationals who are known, through technical collection sources, to have been in touch with the Soviets on intelligence missions and to work through them to develop information on Soviet clandestine activities. Additional case officer strength will be needed if this approach is to be effective.

22. The station currently has six double-agent operations. Like most such cases they move slowly. The chief purpose in running these operations is to direct the agents into the U.S. where, in cooperation with the FBI, they might be used to identify Soviet illegals. Three of these double agents have all received intelligence assignments from the Soviets of an as yet undefined nature in the U.S. Another appears destined for some Soviet assignment in the Philippines. Since the Soviets have no official representation in the Philippines, it is hoped that this agent may be put in touch with illegals. Still another is considered a poor double agent operation by the station, but shows some promise of developing into a penetration of the Mexican Foreign Ministry. The sixth is rated very low as a station operation, and is being continued only at the specific request of the U.S. Army. The station's technical collection assets provide a useful means for checking these double agents in their contacts with the Soviets.

23. To evaluate properly the Soviet operations at Mexico City, which rely heavily on expensive technical collection devices would involve a basic assessment of the whole concept of Soviet operations, which is beyond the scope of this report. Despite the exploitation of material collected by technical means for over ten years at the station, the primary objective of recruiting a Soviet national has not been achieved. Although the station's knowledge of Soviet intelligence activities centered about the embassy in Mexico City has been greatly widened, it has led to little positive

action to counter these activities as they might affect U.S. interests. While all the U.S.S.R. diplomatic missions are targets of vital importance for U.S. intelligence, the Soviet Embassy in Mexico City has special significance because of its proximity to the U.S. The Mexico City Station has attacked this target with determination and imagination. The Chief, SR Division, and his principal officers have commended highly the Soviet operations in Mexico City Station. The failure thus far to achieve the major objectives is testimony more to the impregnability of the target than to a lack of resourcefulness in attacking it. Thus, we believe that until some new methods, offering greater promise of ultimate success are developed, the present mode of attack should be continued at the present level.

24. Probably the most significant contribution which the station's operations against the Soviets in Mexico City has made to the U.S. security has been peripheral to the Agency's mission there. The embassy has long been a magnet for disaffected Americans who want for one reason or another to establish contact with the Soviets. Through its technical coverage of the Soviet Embassy, the station has been able to spot and, through subsequent action, to thwart a number of such Americans, several of whom might have done untold damage to U.S. interests had they not been apprehended. In this respect, the station works closely with the FBI. The Warren Commission's report on the assassination of President Kennedy made reference to information collected by station assets in connection with Oswald's activities in Mexico City.

<u>Satellite Operations</u>

25. The Satellite Branch, which is staffed by EE Division personnel, has been diverting much of its recent time from its EE targets to a Communist-Chinese presence in Mexico City. Although there is no official government representation by the Peking regime, the New China News Agency (NCNA) has several people in Mexico City. At least three of these individuals have been identified as CHICOM intelligence officers. Project SUPESO is an audio operation against three rooms of their offices, and their telephone lines are tapped under the LIFEAT Project. Some of their mail has been examined through the LIKAYAK Project. The raw results of these operations have been forwarded back to Headquarters. The Mexico City Station has no capability for the translation of the material. As of the time of the inspection, the station had heard nothing from Headquarters

responsible to control from the female operations officer who has recently been transferred to LILINK control. It is possible that this operation will be transferred to a covert action project, where some improvement is expected.

41. The station has a unilateral physical surveillance team, five of whom have been on the team for more than three years. Only one case of trouble has shown up in this project. One agent had to be terminated because he talked too much and tried to blackmail his case officer. The use of the polygraph has been most effective in control of this team, which has been generally effective.

Technical Operations

42. The station is heavily committed in the technical field with a large audio operation run jointly with the Mexican Government (LIENVOY), as well as a unilateral audio operation (LIFEAT). The station has been imaginative in approaches to problems and willing to examine and experiment with the unusual. An example of this is the communications link between the station and the principal agent of LILINK, which will be discussed later.

43. The LIENVOY operation, previously mentioned in connection with Soviet operations, resulted from an approach six years ago from President Lopez Mateos. After considerable discussions, the operation was approved, providing the Mexican Government would include Soviet and Satellite targets, and such other communist targets as were obvious to the Mexican Government to be of concern to the United States. This project is manned by selected Mexican Army personnel, who are carefully screened and paid high incentive wages, reducing their vulnerability to bribery. Other privileges add to the high esprit de corps essential to such an operation. The unit is managed by a career agent who transmits the take regularly to the station by clandestine means. This project has been fruitful in intelligence reports and has been of value in operational leads and in CE/CI information. The project also has a visual surveillance and a photo-surveillance capability. It was this project which provided data on the actions of Lee Harvey Oswald in his famous visit to Mexico City.

44. Obviously, the station cannot be content to have the Mexican Government knowledgeable of all its anti-communist operations. Therefore, the station has continued its unilateral audio

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c. Exclude routine travel information and CI/CE information from TDCS and CS reports; and,

d. Use the cable channel only for reports that are perishable or are of special intelligence interest.

Organization for Administration

56. As in his direction of operations, the chief of station maintains a close personal hold upon the administrative life of his station. Such delegation as he makes does not include the granting of usual authority to a subordinate. For example, although the deputy has been delegated authority over the Registry, which will be discussed in detail later, in reality the chief continues daily activities which have a marked effect on the Registry. The station has a small, hard-working support section, handling financial and property matters, and the usual fine communications section.

57. Morale and health were generally good, although for a city as modern as Mexico there is an unusual amount of abdominal disorder known in Mexico City as "Montezuma's Revenge." The embassy furnishes adequate medicines, and medicines are available on the open market, although not always to be trusted. One incident was recently uncovered in which sulfur was capsuled and sold as an antibiotic. Medical facilities have recently been improved by the opening of a new hospital which meets United States standards. Physicians and surgeons are well trained and quite competent. Insofar as social life is concerned, morale in the station was excellent. Mexico City offers some of the finest social activities in the world, from honky-tonk to opera. There is local television, radio, and a great interest in music. There is a great deal of outdoor activity available--swimming, tennis, golf, exploration of ruins, and vast city parks. Some sports activities are comparatively expensive. Membership in country clubs is prohibitive except for persons on the diplomatic list.

58. One of the principal administrative problems facing the Chief of Station, Mexico City, is his Registry. The Registry handles the station files which are more complete than in any other station in the WH Division. There are more than 9,000 personality files and a vast accumulation of 3x5 card files (mostly biographic) which continue to increase at the rate of 23 linear inches per month. The station's present level of activity precludes any reduction in the card index file, but aperture cards

are assisting in some reduction of the personality files. The Registry also handles the pouching. This task is also the largest in the WH Division, particularly in lateral pouching. On one occasion, at Headquarters' request, Mexico City handled the lateral pouching to 35 stations and bases of one document.

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59. The problems of the Registry are compounded by the lack of training provided personnel assigned to the Registry. Personnel problems in the Registry are many and diversified. First of all, with the limited number of personnel and the great burden of work, a large amount of overtime has been required. Secondly, it has been difficult to get people to accept an assignment to the Mexico City Registry because the tasks are dull, tedious, and infinitely demanding of the individuals' time. The morale in this section was poor. We made several recommendations to the chief of station pointing out to him a conscientious effort must be made by all members of the station to reduce the workload in the Registry. In this connection, we suggested that individual case officers accept the responsibility for periodic cleaning of files which they used, and of which they have the most intimate knowledge. We further recommended that maximum discrimination be used in determining material which should be filed and that wherever possible the sheer bulk of the filing be reduced. We further recommended that overtime be made voluntarily whenever possible, but that in any event personnel be provided with a full weekend off from time to time.

60. The chief of the Registry is the only senior person assigned to the Registry and has no deputy or other person competent to take his place during his temporary absence. The chief at the time of our inspection had taken very little time off, including weekends in the two years of his tour. We feel that one of the positions in the Registry should be re-evaluated for possible upgrading to includes the duties of deputy chief of Registry.

<u>It is recommended that:</u> No. 78

The Chief, WH Division, request the Director of Personnel to conduct a review of the function of Deputy Chief, Registry, Mexico City Station, to determine whether or not such a position should be established in an appropriate grade.

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61. We found the Registry to be a controversial matter between Headquarters and the chief of station. The newly assigned deputy chief of station, who primarily had supervisory responsibility over the chief of Registry, was making a determined effort to reduce the workload in the Registry and to seek means of relying upon Headquarters' files rather than station files. We were told that on several occasions, Headquarters had reached the point of demanding that Mexico City reduce its Registry to a size comparable to other stations. Each time such a decision was reached, there would be a concurrent flap which would prove the value of Mexico City's ability to instantly retrieve information from their files. One of the most noteworthy of such flaps took place in November 1963, when Mexico City's files brought forth detailed information on Lee Harvey Oswald's visits to the Cuban and Soviet Embassies in Mexico City.

62. The nature of Mexico City's operations, particularly its technical operations LIENVOY and LIFEAT produce voluminous files. 24 Until some system is devised for this information to be quickly 24 digested and retrieved in Headquarters, we believe that there is no alternative to the present system Mexico City is employing. However, we believe that a determined effort must be in Headquarters for processing and retrieval of such information.

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It is recommended that: No. 79

> The Chief, WH Division, in collaboration with the Chief, Records Integration Division, devise a system for reducing the volume of files held in Mexico City, while maintaining a capability for rapid retrieval from Headquarters of information essential to present and future operations in Mexico.

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63. Mexico City is one of the great metropolises of the world and the booming economy of Mexico is reflected in its housing. It is difficult to find housing which compares exactly with United States housing because the Spanish tradition of servants' quarters, large space, and grand entertainment are a basic way of life. However, in such a great city, there is naturally a large selection of housing within this limitation. There are good apartments, but such apartments usually are more expensive than allowances will permit for single occupancy. Housing for officers and families is generally quite good, not plentiful, but with prudent selection, adequate housing can be found within reasonable range of the